

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 TRSY-02 COM-02 EB-08 FRB-03 CIAE-00
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C O N F I D E N T I A L MADRID 2481

E.O. 11652: GDS
TAGS: EFIN, BEXP, SP
SUBJECT: NEW FOREIGN BANKS IN SPAIN

1. THE SPANISH POLICY ON ALLOWING NEW FOREIGN BANKS INTO SPAIN WAS FURTHER DEFINED ON MARCH 31 BY MINFIN DIRECTOR GENERAL FOR FINANCIAL POLICY SATRUSTEGUI. SATRUSTEGUI SAID QUOTE THE LICENSING OF FOREIGN BANKS IN SPAIN DOES NOT APPEAR PROBABLE UNTIL AFTER DECEMBER 31 OF THIS YEAR. AFTER THIS DATE, PERHAPS IN A FEW MONTHS, THE OPENING OF THESE ENTITIES WILL BE A REALITY. END QUOTE.

2. THE SATRUSTEGUI STATEMENT WAS MADE AT THE MADRID AIRPORT ON ARRIVAL FROM THE US. SATRUSTEGUI AND MINFIN TECHNICAL SECRETARY GENERAL MANZANO HAD BEEN WITH UNDER-SECRETARY OF FINANCE BASANTA DURING CONVERSATIONS IN THE US WITH PRIVATE BANKS AND THE IMF.

3. NEW FOREIGN BANKS WERE NOT AUTHORIZED UNDER THE FRANCO GOVERNMENT, AND US BANKS WANT ACCESS TO THE VERY LUCRATIVE SPANISH MARKET. WHEN NEGOTIATING LAST SUMMER'S BILLION-DOLLAR KINGDOM OF SPAIN LOAN SATRUSTEGUI HAD GIVEN US BANKERS HOPE THAT NEW BANKS WOULD BE APPROVED, AND THIS FEBRUARY THE MINISTER OF FINANCE INCLUDED A PROPOSAL FOR SUCH LICENSES IN HIS ECONOMIC PACKAGE.
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NEVERTHELESS, US BANKERS HAVE FEARED THAT THE FINANCE MINISTER'S TIES WITH SPAIN'S LARGEST PRIVATE BANK, BANESTO, WILL PREVENT HIM FROM ACTING.

4. ALL OBSERVERS, INCLUDING SPANISH GOVERNMENT ECONOMISTS, AGREE THAT THE PRESENCE OF US BANKS WOULD BENEFIT THE SPANISH ECONOMY, AS WELL AS TRADE

AND FOREIGN INVESTMENT IN PARTICULAR. THE SUBJECT OF
FOREIGN BANK LICENSES WAS DISCUSSED DURING THE
FIRST SESSION OF THE US SPANISH JOINT ECONOMIC
COMMITTEE.

5. COMMENT: IT APPEARS TO US THAT SATRUSTEGUI WAS TRYING
TO CLEAR THE AIR A LITTLE ON THIS IMPORTANT ISSUE.
HOWEVER, US BANKERS MAY FEEL THAT THE SATRUSTEGUI
STATEMENT IS A WEAK SUBSTITUTE FOR THE LICENSE APPROVALS
THEY MIGHT LIKE TO HAVE AS AN UNSTATED CONDITION TO
FURTHER LARGE LOANS TO SPAIN. EATON

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